

HOUSE BILL 139

By Scroggs

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4 and Title 13, Chapter 5, relative to a state strategic planning and budget process.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 5, is amended by adding the following as a new part:

Part 1 - State Agency Strategic Planning

13-5-101. (a) This part shall be known and may be cited as the "Tennessee Strategic Planning Act of 2001".

(b) The provisions of this part are a pilot project applying only to the state agencies and higher education institution designated under the provisions of Section 13-5-103.

(c) The provisions of this part are repealed on June 30, 2005.

13-5-102. (a) The general assembly finds and declares that:

(1) To promote intergovernmental coordination, accountability and the effective allocation of resources, the state should set goals to provide direction and guidance for state agencies and higher education institutions in the development and implementation of their respective plans, programs, and services.

(2) Regular evaluation of the goals and state agency and higher education strategic plans is necessary to inform the public whether state goals are being attained. To accomplish this purpose, the state agency strategic plans should be evaluated annually with any necessary revisions prepared through coordinated action by state agencies and the state's chief planning officer. Additionally, the higher education institution strategic plan should be evaluated annually with any necessary revisions prepared through coordinated action by the higher education institution and its governing board, the commission and the state's chief planning officer.

(b) It is the intent of the general assembly that:

(1) The state planning process and the state agency and higher education strategic plans provide direction for the delivery of the governmental or educational services, a means for defining and achieving the specific goals of the respective entities, and a method for evaluating the accomplishment of those goals and establishing more accountability for all state agencies and higher education institutions.

(2) State agency and higher education strategic plans shall be effectively coordinated to ensure the establishment of appropriate agency or institution priorities and to facilitate the orderly, positive management of agency activities consistent with the public interest. It is also intended that the implementation of the state agency and higher education strategic plans enhance the quality of life of the citizens of the state.

13-5-103. As used in this part, unless the context otherwise requires:

(1) "Commission" means the Tennessee higher education commission.

(2) "Commissioner" means the commissioner of finance and administration.

(3) "Executive director" means the executive director of the Tennessee higher education commission.

(4) "Goal" means the long-term end toward which programs and activities are ultimately directed.

(5) "Governing boards" means the Tennessee board of regents and the University of Tennessee board of trustees.

(6) "Higher education institution" or "institution" means the four (4) year institution, the community college or non-formula unit selected by the executive director in consultation with the governing boards to participate in the pilot programs established under this act.

(7) "Objective" means a specific, measurable, intermediate end that is achievable and marks progress toward a goal.

(8) "Policy" means the way in which programs and activities are conducted to achieve an identified goal.

(9) "State agency" or "agency" means the department of children's services and one (1) other cabinet agency within the executive branch of state government selected by the commissioner of finance and administration to participate in the pilot programs established under this act. In addition, the pilot programs established under this act shall include one (1) higher education institution as defined in Section 13-5-103(11).

(10) "State agency or higher education strategic plan" means the statement of priority directions that an agency or institution will take to carry out its mission within the context of any statutory mandates and authorizations given to the agency or institution.

(11) "Strategy" means a means to an end; a policy, program, action or decision that an agency or institution uses to achieve an objective.

13-5-104. The commissioner of finance and administration shall serve as the chief planning officer of the state and, in consultation with the governor, shall conduct an annual review and revision of the state agency strategic plans. The commissioner and executive director, in consultation with the governor, shall conduct an annual review and revision of the higher education institution strategic plan.

13-5-105. (a) The head of the state agency and higher education institution shall select from within such agency or higher education institution a person to be designated as the planning officer for such entity. The agency planning officer shall be responsible for coordinating with the commissioner of finance and administration and with the planning officers of other agencies all activities and responsibilities of such agency relating to planning. The institution planning officer through the institution's governing board shall be responsible for coordinating with the executive director all activities and responsibilities of such institution relating to planning.

(b) The head of the agency shall notify the commissioner of finance and administration in writing of the person initially designated as the planning officer for such agency and of any changes in persons so designated thereafter. Additionally, the head of the institution shall notify the executive director in writing of the person initially designated as the planning officer for such institution and of any changes in persons so designated thereafter.

13-5-106. (a) A state agency or higher education strategic plan shall be a statement of the priority directions the agency or higher education institution will take to carry out its mission within the context of any statutory mandates and authorizations given to the agency or higher education institution. The agency or higher education strategic plan shall specify those objectives against which will be judged the agency or institution's achievement of its goals.

(b) A state agency or higher education strategic plan shall be developed with a two (2) to five (5) year outlook and shall provide the strategic framework within which an entity's budget is developed.

(c) All amendments, revisions, or updates to a state agency or higher education institution strategic plan shall be prepared in the same manner as the original and shall be prepared as needed because of changes in the statutory authority and responsibility of the entity.

13-5-107. (a) Beginning in 2001, the head of the agency and the head of the institution shall each prepare a separate strategic plan and shall submit the plan to the commissioner of finance and administration at a time to be prescribed by the commissioner of finance and administration. The plan of the institution shall first be submitted to the executive director.

(b) The state agency or higher education strategic plan must be in a form and manner prescribed in written instructions prepared by the commissioner of finance and administration. The state agency or higher education strategic plan must identify any additional legislative authority necessary to implement the provisions of the plan. The agency or institution may only implement those portions of its strategic plan that are consistent with statutory or constitutional authority and for which funding, if needed, is available consistent with the provisions of applicable appropriations acts of the general assembly. State agency or higher education strategic plans shall be amended by the agency or institution, as necessary, to ensure consistency with the legislative actions prior to the effective date of the state agency or higher education strategic plan.

(c) The commissioner of finance and administration shall review the state agency and institution strategic plan to ensure that it is consistent with the requirements as specified in the commissioner's written instructions. Within sixty (60) days, reviewed plans shall be returned to the agency or institution, respectively, together with any required revisions.

(d) The head of each state agency or higher education institution shall, within thirty (30) days of the return of its state agency strategic plan, incorporate all revisions required by the commissioner of finance and administration and return the revised plan to the commissioner. Higher education institutions shall also return a copy of the revised plan to the executive director.

(e) The commissioner of finance and administration shall transmit copies of each state agency or higher education institution strategic plan to the speakers of the senate and house of representatives for referral to the respective finance, ways and means committees and other

appropriate standing committees, not later than thirty (30) days prior to the next regular session of the general assembly.

(f) The state agency and higher education institution strategic plans developed pursuant to this part are not rules and therefore are not subject to the provisions of the Uniform Administrative Procedures Act compiled at title 4, chapter 5.

SECTION 2. Tennessee Code Annotated, Title 9, Chapter 4, is amended by adding the following as a new part 50:

Part 50 - State Performance-Based Budgeting

9-4-5001. (a) This part shall be known and may be cited as the "Tennessee Performance-Based Budgeting Act of 2001".

(b) The provisions of this part are a pilot project applying only to the state agencies and higher education institution designated under the provisions of Section 9-4-5003.

(c) The provisions of this part are repealed on June 30, 2005; provided, however, that the performance measure and standard adoption provisions of Section 9-4-5004(c), the performance standard adjustment provisions of Section 9-4-5004(d), the performance reporting provisions of Section 9-4-5007, and the audit provisions of Section 9-4-5008 shall apply only to the 2003-2004 fiscal year; and that other provisions of this part shall apply only to the 2003-2004 and 2004-2005 fiscal years.

9-4-5002. In addition to the items to be set forth in the budget document pursuant to Section 9-4-5101, the governor shall also provide to the general assembly a performance-based program budget for programs administered by each state agency and higher education institution as defined in Section 9-4-5003.

9-4-5003. As used in this act, unless the context otherwise requires:

(1) "Baseline data" means indicators of a state agency's current performance level, pursuant to guidelines established by the commissioner of finance and administration.

(2) "Commission" means the Tennessee higher education commission.

(3) "Commissioner" means the commissioner of finance and administration.

(4) "Executive director" means the executive director of the Tennessee higher education commission.

(5) "Fiscal year" shall have the meaning set forth in Section 9-1-101.

(6) "Goal" means the long-term end toward which programs and activities are ultimately directed.

(7) "Governing boards" means the Tennessee board of regents and the University of Tennessee board of trustees.

(8) "Higher education institution" or "institution" means the four (4) year institution, the community college or non-formula unit selected by the executive director in consultation with the governing boards to participate in the pilot programs established under this act.

(9) "Objective" means a specific, measurable, intermediate end that is achievable and marks progress toward a goal.

(10) "Outcome" means an indicator of the actual impact or public benefit of a program.

(11) "Output" means the amount of actual service or product delivered by a state agency.

(12) "Performance-based program budget" means a budget that incorporates program performance measures.

(13) "Performance ledger" means the official compilation of information about state agency or higher education institution performance-based programs and

measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency or institution performance for each measure.

(14) "Performance measure" means a quantitative or qualitative indicator used to assess state agency and higher education institution performance.

(15) "Policy" means the way in which programs and activities are conducted to achieve an identified goal.

(16) "Program" means a set of activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives.

(17) "Standard" means a quantitative performance level or target that a program is expected to achieve for an outcome or output.

(18) "State agency" or "agency" means the department of children's services and one (1) other cabinet agency within the executive branch of state government selected by the commissioner of finance and administration to participate in the pilot programs established under this act. In addition, the pilot programs established under this act shall include one (1) higher education institution as defined in Section 9-4-5003(19).

(19) "State agency or higher education institution strategic plan" means the plan developed and approved pursuant to title 13, chapter 5, part 1.

9-4-5004. (a) By October 1, 2002, and October 1, 2003, the head of each state agency shall identify and submit to the commissioner of finance and administration a list of proposed state agency programs and performance measures for the next fiscal year. Additionally, by October 1, 2002, and by October 1, 2003, the Tennessee higher education commission in consultation with the head of the higher education institution and its governing board shall identify and submit to the commissioner of finance and administration a list of proposed higher education programs and performance measures for the next fiscal year. Performance measures proposed by the agency and commission must be consistent with the objectives in

the state agency or higher education institution strategic plan, respectively, prepared in accordance with title 13, chapter 5, part 1, and shall represent one (1) year implementation efforts necessary to meet the state agency or higher education institution strategic plan objectives.

(b) The following documentation shall accompany the list of proposed programs and measures submitted by the state agency and the commission:

- (1) The constitutional or statutory direction and authority for each program;
- (2) Identification of the customers, clients, and users of each program;
- (3) The purpose of each program or the benefit derived by the customers, clients, and users of the program;
- (4) Costs of each program;
- (5) An assessment of whether each program is conducive to performance-based program budgeting;
- (6) An assessment of the time needed to develop meaningful performance measures for each program;
- (7) A comparison of the agency's or institution's existing budget program structure to the proposed budget program structure. No change to the budget program structure, as reflected in the work program allotments approved pursuant to title 9, chapter 4, part 51, shall be submitted or made without the advance approval of the commissioner of finance and administration;
- (8) A description of the use of performance measures in agency or institution decision-making, agency or institution actions to allocate funds and manage programs, and the agency or institution strategic plan; and
- (9) The outputs produced by each proposed program, the outcomes resulting from each proposed program, and baseline data associated with each performance measure. Agencies and institutions must submit documentation for each output and

outcome measure, which explains the validity, reliability, and appropriateness of each performance measure.

(c) The performance-based program budget request submitted by the agency and institution pursuant to Section 9-4-5005 shall contain the programs and performance measures adopted by the general assembly, or, if none are adopted, those approved by the commissioner of finance and administration. Notwithstanding the programs, performance measures, and standards recommended for each state agency or higher education institution in the governor's budget recommendations, the general assembly shall have final approval of all programs, performance measures, and standards through the general appropriations act.

(d) Annually, no later than forty-five (45) days after the general appropriations act becomes law, the head of the state agency and the executive director, in consultation with the governing board, may submit to the commissioner of finance and administration any adjustments to program performance standards based on the amounts appropriated for each program by the general assembly. When such adjustment is made, all performance standards, including any adjustments made, shall be submitted to and reviewed and revised as necessary by the commissioner of finance and administration, and, upon approval, shall be submitted by the commissioner of finance and administration to the chairmen of the finance, ways and means committees of the senate and house of representatives. The commissioner of finance and administration shall maintain both the official record of adjustments to the performance standards as part of the agency or institution's approved operating budget and the official performance ledger.

9-4-5005. (a) The head of the state agency and the higher education institution shall prepare a performance-based budget request for the 2003-2004 and 2004-2005 fiscal years on blanks furnished by the commissioner of finance and administration and shall submit the budget request to the commissioner by dates in 2002 and 2003 to be prescribed by the commissioner. Notwithstanding anything in this subsection to the contrary, the higher education institution shall

submit its budget to the commission through its governing board. The commission shall, in turn, submit the budget to the commissioner of finance and administration by the prescribed date.

(b) An agency's or institution's expenditure estimate as required by Section 9-4-5103 shall identify the financial resources necessary to further the provisions of the agency or institution strategic plan prepared in accordance with title 13, chapter 5, part 1.

9-4-5006. (a) The commissioner of finance and administration shall develop performance-based program budget request instructions from which the agency or institution shall prepare its performance-based program budget request, which shall be submitted to the commissioner of finance and administration in accordance with Section 9-4-5005. The budget instructions must include instructions for agencies and institutions in submitting performance measures and standards as required by Section 9-4-5004. The budget instructions must also include instructions for agencies and institutions in submitting the assessment of performance measures required to be included in the agency or institution annual performance report under Section 9-4-5007.

(b) The commissioner of finance and administration shall review the performance-based program budget request for compliance with budget instructions. The commissioner of finance and administration may adjust the program budget request of the agency or institution in preparing the recommended budget for review by the governor. Nothing in this part shall limit the authority of the governor to revise the budget estimates, appropriation recommendations, work program allotments, or performance measure recommendations of any agency or institution or program pursuant to the governor's authority under title 9, chapter 4, part 51, or other law.

9-4-5007. (a) On or before December 1, 2004, the head of the state agency and the executive director shall submit an annual performance report for the preceding fiscal year to and in a form prescribed by the commissioner of finance and administration. On or before November 1, 2004, the head of the higher education institution, through its governing board,

shall submit an annual performance report for the preceding fiscal year to the executive director in a form prescribed by the commissioner of finance and administration. The commissioner shall transmit copies of the agency and higher education institution annual reports to the speakers of the senate and house of representatives for referral to and consideration by the respective finance, ways and means committees and other appropriate standing committees. Copies shall also be provided by the commissioner to the fiscal review committee, the comptroller of the treasury and the office of legislative budget analysis. The purpose of this report is to evaluate the attainment of the agency or institution objectives identified in the state agency or higher education institution strategic plan, developed pursuant to title 13, chapter 5, part 1, and the performance measures adopted or approved pursuant to Section 9-4-5004 for the previous fiscal year.

(b) The commissioner of finance and administration shall review the agency and institution annual performance report required by subsection (a) and may require any additional reports or analyses as necessary.

9-4-5008. On an annual basis, the comptroller of the treasury shall audit the information used or created by a state agency or higher education institution to prepare the annual performance report required by Section 9-4-5007(a), together with any books, records and other evidences of financial transactions kept by the state agency or higher education institution subject to this act. The comptroller of the treasury shall have the full cooperation of the officials of any such state agency or higher education institution in the performance of such audit or audits. Every such audit shall be performed and reported as a part of and in accordance with the provisions contained in title 8, chapter 4.

SECTION 3. Tennessee Code Annotated, Section 9-4-5106(a)(2), is amended by inserting after the language "or which may be required by the general assembly" the language "including, but not limited to, any information and statements necessary to implement the

provisions of title 9, chapter 4, part 50". The provisions of this section of this act are repealed on June 30, 2005.

SECTION 4. The provisions of this act shall be null and void unless appropriations necessary to implement its provisions are made in each general appropriations act for fiscal years 2001-2002, 2002-2003, 2003-2004, and 2004-2005.

SECTION 5. This act shall take effect July 1, 2001, the public welfare requiring it.